

COMINCO LTD./62ND ANNUAL REPORT 1967

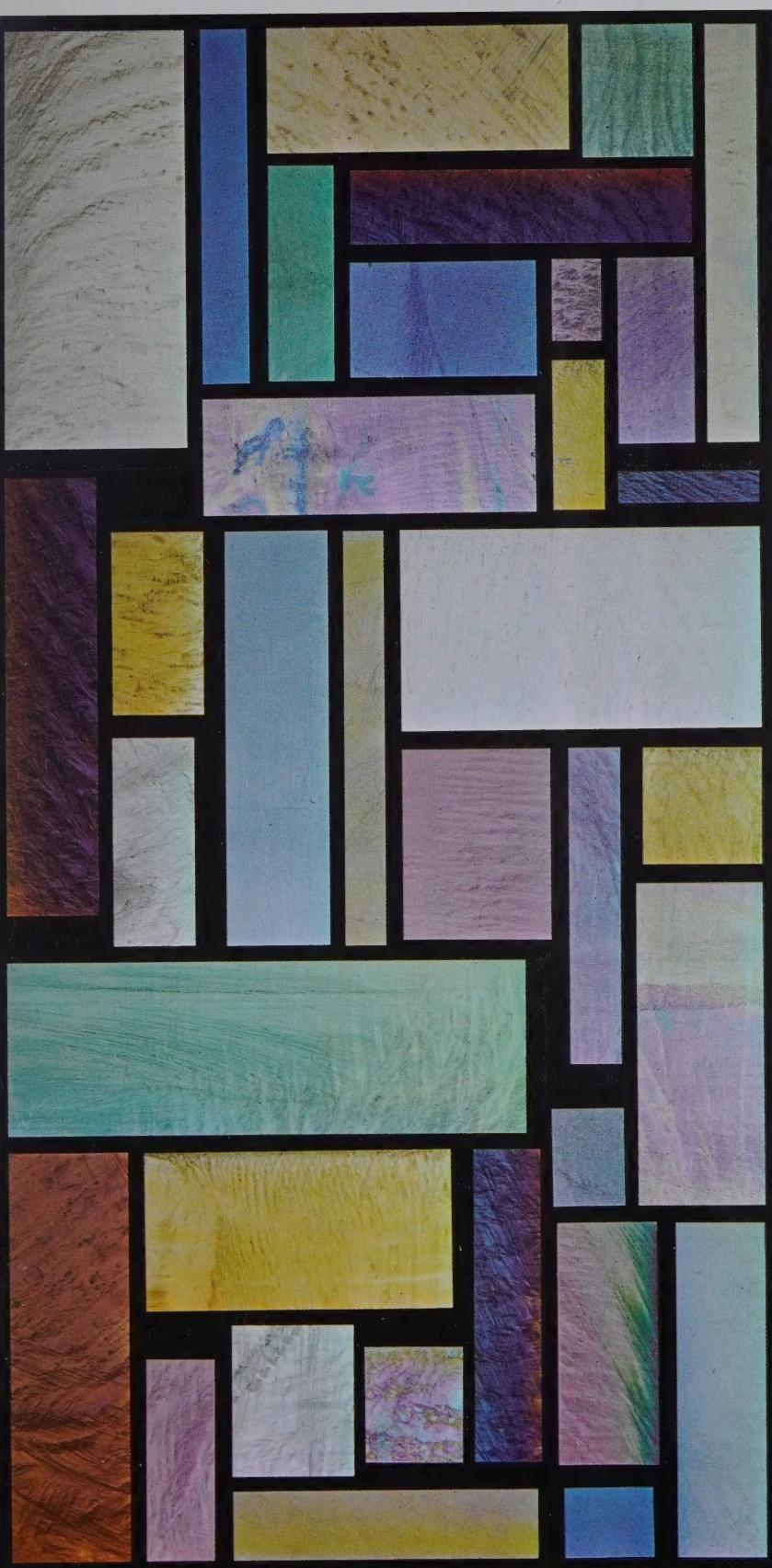
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Cominco Ltd. / 62nd Annual Report 1967

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Cominco 740 is the research designation for the product of Cominco's new process for multi-colored zinc coating. This product is now available as a special decorative material.

Cominco Ltd.

Head Office : 630 Dorchester Blvd. W., Montreal, Canada

Directors

*G. H. BAILLIE, *Vice-President*,
Canadian Pacific Railway Company, Montreal

W. J. BENNETT, *President*,
Iron Ore Company of Canada, Montreal

A. L. BISHOP, *Chairman of the Board*,
Consumers' Gas Company, Toronto

*N. R. CRUMP, *Chairman and Chief Executive Officer*,
Canadian Pacific Railway Company, Montreal

G. A. HART, M.B.E., *Chairman and Chief Executive Officer*,
Bank of Montreal, Montreal

*R. HENDRICKS, *President*,
Cominco Ltd., Montreal

*W. S. KIRKPATRICK, *Chairman and Chief Executive Officer*,
Cominco Ltd., Montreal

*Member of Executive Committee.

D. R. McMASTER, Q.C., *Partner*,
McMaster, Meighen, Minnion, Patch & Cordeau, Montreal

S. E. NIXON, *Executive Vice-President*,
Dominion Securities Corporation Limited, Montreal

*R. D. PERRY, *Executive Vice-President*,
Cominco Ltd., Montreal

I. D. SINCLAIR, Q.C., *President*,
Canadian Pacific Railway Company, Montreal

THE HONOURABLE JAMES SINCLAIR, P.C., *Chairman*,
Lafarge Cement of North America Ltd., Vancouver

*R. E. STAVERT, *Retired Chairman*,
Cominco Ltd., Montreal

H. G. WELSFORD, M.B.E., *Honorary Director*,
Dominion Bridge Company Limited, Montreal

Officers

W. S. KIRKPATRICK
Chairman and Chief Executive Officer

R. HENDRICKS
President

D. D. MORRIS
Vice-President, Operations

J. H. SALTER
Vice-President, Western Region

F. L. HALLAM
Secretary-Treasurer

N. R. CRUMP
Vice-President

A. O. WOLFF
Vice-President,
Corporate Planning and Development

R. J. ARMSTRONG
Vice-President, Exploration

S. M. ROTHMAN
Manager, Western Operations

R. D. PERRY
Executive Vice-President

A. M. MURRAY
Vice-President, Finance

H. T. FARGEY
Vice-President, Sales

Transfer Agents

The Royal Trust Company, Montreal

The Royal Trust Company, Saint John, N.B.

The Royal Trust Company, Vancouver

Canada Permanent Trust Company, Toronto

The Royal Trust Company, Calgary

Bank of Montreal Trust Company, New York

Registrars

Montreal Trust Company, Montreal

Montreal Trust Company, Saint John, N.B.

Montreal Trust Company, Vancouver

Crown Trust Company, Toronto

Montreal Trust Company, Calgary

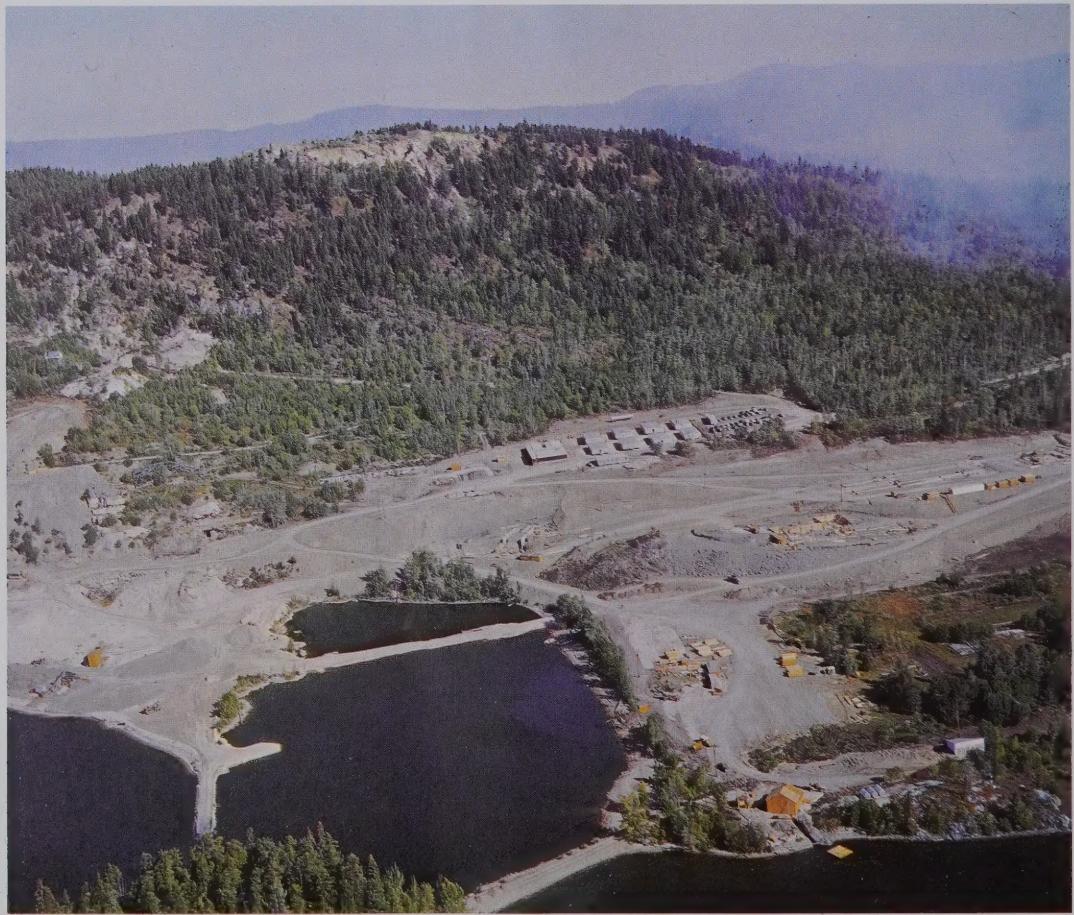
Chemical Bank New York Trust Company, New York

Comparative Highlights

	1967	1966
Net earnings	\$ 38,484,000	\$ 49,183,000
Net earnings per share	\$2.31	\$2.95
Dividends declared	25,030,000	30,036,000
Dividends per share	\$1.50	\$1.80
Sales of all products	216,959,000	224,566,000
Capital expenditures	58,813,000	66,006,000
Working capital	113,189,000	86,168,000
Cash and marketable securities	46,082,000	26,904,000

Output of Principal Products

Year	Lead Short Tons	Zinc Short Tons	Ores and concentrates produced for sale Short Tons	Silver Ozs.	Cadmium Short Tons	Fertilizer Short Tons	Iron and Steel Short Tons
1894 to 1957	5,997,088	4,544,018	3,794	335,437,261	10,773	9,390,633	
1958	132,987	192,282	676	12,875,160	643	692,194	
1959	135,296	192,762	11,563	9,367,029	838	664,228	
1960	158,510	193,875	515	8,690,244	918	713,168	
1961	171,833	193,138	495	8,816,141	963	696,286	32,049
1962	152,217	199,393	31,919	6,667,813	1,059	714,335	31,441
1963	155,001	194,159	35,849	6,847,606	1,019	708,548	37,678
1964	151,372	199,011	41,296	7,347,590	945	739,080	83,992
1965	186,484	213,082	109,502	6,415,230	359	754,550	180,889
1966	184,871	221,871	268,057	6,609,110	787	965,435	188,099
1967	187,567	202,015	274,874	5,211,761	657	995,974	200,715
1894 to date	7,613,226	6,545,606	778,540	414,284,945	18,961	17,034,431	754,863



A view of the Company's mercury property at Pinchi Lake, British Columbia.

62nd Annual Report of the Directors

Montreal, P.Q.

To the Shareholders:

The year under review was an active one for the Company in all phases of its business. Marketing of the Company's major products, with the notable exception of silver, is now subject to intense competition resulting from production having expanded at a faster rate than consumption throughout the world during the past two years. The consequent general lowering of prices together with higher costs caused lower profit margins on the sale of nearly all products and resulted in a decrease in the net earnings of the Company for 1967 compared with 1966.

In order to maintain working capital, Cominco arranged in April, 1967 for the issue of unsecured notes. This is the first debt financing undertaken by Cominco itself in over 40 years and is an extension of a policy adopted several years ago with respect to the requirements of the Company's subsidiaries whereby, when necessary and appropriate, part of the funds needed for working capital would be borrowed rather than be obtained exclusively from funds generated internally. Heavy capital expenditures on the expansion programs instituted in the previous two years continued in 1967 and will remain at a high level until the projects are completed.

The financial statements and Auditors' Report and other information covering the affairs of the Company for the year ended the 31st December, 1967 are presented in consolidation with those of

its wholly-owned subsidiary companies and of Pine Point Mines Limited (69% owned).

Financial

The consolidated net earnings for the year were \$38,484,000, a decrease of 21.8% from 1966. On a per share basis, earnings and dividends declared were \$2.31 and \$1.50 in 1967 compared with \$2.95 and \$1.80 in the previous year.

The decrease in earnings was caused primarily by lower prices received for lead and zinc and by higher costs, including interest and depreciation, offset to some extent by an increase in revenue from the chemical and fertilizer operations. The earnings from the Pine Point mine which ceased to be tax exempt on the 1st March, 1968, were practically the same as in 1966, but provided a greater proportion of the total consolidated earnings, thus reducing the overall provision for income taxes.

Sales of products net of delivery expenses amounted to \$216,959,000, a reduction of about 3% from 1966. During 1967 the total sales revenues were derived as follows: lead and zinc (including ores and concentrates) 48%, all other metallurgical products 21%, fertilizers 29% and industrial chemicals and others 2%.

Consolidated net capital expenditures and investments amounted to \$58,813,000. The larger

items included preparation for production at the Saskatchewan potash property \$24,967,000, at the Magmont lead mine in Missouri \$5,180,000, at the Pine Point Pyramid property \$4,503,000, and at the Pinchi Lake mercury mine \$2,687,000. Other major expenditures were \$11,488,000 for chemical and fertilizer production and distribution facilities in the United States and Canada and \$1,664,000 for zinc alloy production and marketing facilities in the United Kingdom.

During the year the Company raised \$40,000,000 for general corporate purposes by issuing five-year unsecured notes at an average interest rate of 6%. In addition, Cominco American Incorporated, a wholly-owned subsidiary, arranged for the issue, early in 1968, of \$7,500,000 (U.S.) in 6½% mortgage notes due in 1980 to provide its share of the funds for the Magmont mine project which was financed in the interim by temporary bank loans.

Working capital at the 31st December amounted to \$113,189,000, an increase of \$27,021,000 during the year. This change is accounted for in the statement of source and application of funds included with the financial statements.

The Company submitted to the Minister of Finance a brief concerning the recommendations of the Carter Commission on Taxation as they would affect the mining industry. The brief expressed the Company's deep concern with the serious adverse effect the implementation of these recommendations would have on the mining industry in Canada and thus on the Canadian economy as a whole.

Metals

In 1967, the total lead and zinc contained in ore extracted from Company mines and that of Pine Point was 580,000 tons compared with 600,000 tons in 1966. This ore production and the com-

bined lead-zinc grade of mill feed from the individual mines were: Sullivan mine at Kimberley, B.C., 2,118,000 tons at 8.2%; Bluebell mine at Riondel, B.C., 256,000 tons at 10.7%; Pine Point mine, N.W.T., 1,521,000 tons of milling grade ore at 14.4% and 333,000 tons of direct shipping ore at 45.9%. Most of the above material was treated at the Company's operations.

Production of refined lead at Trail continued at the high level of 187,600 tons as compared with 184,900 tons in 1966. Zinc production was held at 202,000 tons for inventory control, compared with 221,900 tons produced in 1966. The combined refined lead and zinc production was derived approximately as follows:

	1967	1966
Sullivan mine	30%	38%
Other Company mines, including accumulated slags and residues	8%	10%
Purchased		
Pine Point mine	59%	47%
Other	3%	5%

As a result of the availability of Pine Point and other Canadian materials, purchases of foreign ores and concentrates were negligible.

The demand for Cominco metals was firm during the year, and although inventories of metal in transit increased in 1967 because of market distribution, plant inventories at the year end were held at minimum working levels. In 1967, 28% of the Company's refined lead and zinc was sold in Canada compared with 31% in 1966. The balance was exported, chiefly to the United Kingdom and United States with some tonnage shipped to European and Asian markets.

The consumption of lead in the Free World held at the 1966 rate of 3.1 million tons while zinc consumption declined slightly to 3.7 million tons. The average price of lead realized at the Trail plants during 1967 was 13% below that of 1966. The average price of zinc realized was 9% below that of the previous year. In the case of lead a marked decline in prices occurred during 1966, particularly in the fall of that year, after which prices remained relatively stable at the lower levels. The prices realized for zinc declined steadily throughout both 1966 and 1967. During the latter months of 1967, however, these metal prices stabilized with world supply and demand coming into approximate balance. Losses of production through strikes in the United States contributed to this situation. The devaluation of the pound sterling in November 1967 had virtually no effect on prices of both metals in terms of Canadian currency.

Silver production was 5,212,000 ounces, of which 67% came from Company mines, compared with 6,609,000 ounces in 1966. Cadmium production was 657 tons compared with 787 tons in 1966. Production of gold from Company sources was 52,000 ounces compared with 63,000 ounces in 1966. Production of bismuth, tin, antimonial lead, indium and electronic materials resulted in total sales for this latter group of by-product metals of \$4,730,000 compared with \$5,628,000 in 1966. Prices of the Company's by-product metals were stable during 1967 except silver which rose in price to \$2.066 (U.S.) per ounce by the year end as a result of the United States Treasury decision in July to remove the \$1.293 (U.S.) ceiling price.

The Wedge copper mine in New Brunswick produced 20,000 tons of concentrates from 257,000 tons of ore, a decrease of 27% from 1966. Development work has confirmed the expectation that extraction of all profitable ore from this mine will be completed in the first half of 1968. The

Company's Benson Lake concentrator on northern Vancouver Island which treated ore from the Coast Copper mine produced 12,000 tons of copper concentrates and 93,900 tons of magnetite concentrates.

Chemicals and Fertilizers

Fertilizer plants operated at near capacity and produced 996,000 tons compared with 965,000 tons in 1966. In addition, substantial quantities of fertilizer of types not currently produced by the Company, such as potash, were purchased for resale. Fertilizer sales in Western Canada and in the United States established a new record high at 1,032,000 tons compared with 989,000 tons in 1966. Nevertheless, inventories of certain products were somewhat higher than at the close of the previous year. Sales of chemicals for industrial purposes were 10% higher than in 1966. About 40% of the Company's chemicals and fertilizers were sold in Canada in 1967 and most of the balance was exported to the United States. To meet the growing demand for bulk fertilizers in Western Canada, a number of bulk distribution plants were built by the Company in the three prairie provinces and this program will be expanded as required.

The supply of fertilizers, particularly ammonium phosphates, in Western Canada and the U.S. markets generally exceeded demand throughout 1967. The construction of new fertilizer plants in Western Canada continues to add to excess capacity, a condition which has existed in that market for many years. The present annual capacity of completed plants is in the order of 2.2 million tons and although consumption in Western Canada is only 1 million tons, additional plants are being constructed which will add substantially to this excess capacity by 1969. Some of these new facilities have been established as a result of in-

centives offered by Federal and Provincial Governments and, as a consequence, the economic factors which would normally regulate the balance between supply and demand have been disturbed. Low prices in both Canada and the United States resulting from the general oversupply position, together with increased costs of distribution, result in an unsatisfactory rate of return on invested capital.

Subsidiaries Included in Consolidation

The Company owns 69% of the common shares and acts as manager and agent for Pine Point Mines Limited, which operates a major zinc-lead mine at Pine Point, N.W.T. The concentrator at Pine Point operated at capacity throughout 1967 and a large part of the concentrates, together with all the high-grade direct shipping ore produced from the mine, were sold to Cominco. Concentrates were also sold to other smelters in Canada, the United States, Europe, India and Japan. Since the mine came into production, a substantial portion of Pine Point's income has been derived from the sale of direct shipping ore. In 1967 this shipping ore accounted for 42% of the total sales revenue and the quantity shipped was 333,000 tons. The reserves of high-grade ore were about 475,000 tons at the end of 1967. The Pyramid lead-zinc property acquired by Pine Point Mines Limited in 1966 was further developed and construction of additional concentration facilities was initiated during the year with completion forecast by the end of 1968. This increase in mill capacity will offset to a considerable degree the loss in metal production which could occur from the exhaustion of high-grade ore reserves. Sales of all products net of delivery expenses amounted to \$42,701,000 compared with \$42,636,000 in 1966. The earnings from the Pine Point mine were exempt from federal income tax during 1967, but this exemption

expired the 1st March, 1968. Net earnings for the year were \$34,231,000 compared with \$34,194,000 in 1966.

Cominco American Incorporated, a wholly-owned subsidiary, carries on mining, mineral exploration, fertilizer production and other activities in the United States. It is also the principal sales outlet for fertilizer from the Company's Canadian plants and has an interest in several subsidiary and affiliated companies engaged chiefly in the distribution of fertilizers. The fertilizer produced and sold in the United States increased in 1967, although prices continued to decline because of intense competition. Sales net of delivery expenses by Cominco American amounted to \$42,700,000 (U.S.) compared with \$39,600,000 (U.S.) in 1966. In 1967 a 50% interest was acquired in Hill Chemicals, Inc., which has undertaken the construction of a 1,000 ton per day ammonia plant at Borger, Texas. A pipeline will be constructed from this plant to central Iowa for distribution of ammonia throughout the area it traverses and as a source of supply to Cominco American's fertilizer plant at Beatrice, Nebraska. Cominco American, in a joint venture with Dresser Industries, Inc. of Dallas, Texas, is developing the Magmont lead mine near Salem, Missouri, and it is expected that production at the planned rate of 70,000 tons of lead concentrate annually will commence on schedule in the spring of 1968.

Western Canada Steel Limited, a wholly-owned subsidiary, operates a steel plant on Twigg Island, Vancouver, with an annual capacity of 100,000 tons of steel ingots and produces a range of rolled steel products. This company purchases its pig iron requirements from Cominco. Costs in 1967 were substantially higher as a result of startup problems in the new rolling mill at Vancouver, however this mill is now operating satisfactorily. Markets deteriorated during the latter half of the year but appeared to have levelled off at the year

end. The company has a lease and option on the facilities of Western Rolling Mills at Calgary and also has a 50% interest in Hawaiian Western Steel Limited of Honolulu. Sales of finished products were slightly higher than in 1966 and amounted to \$13,960,000.

National Hardware Specialties Limited, a wholly-owned subsidiary, operates a zinc die-casting plant at Dresden, Ontario, and through its wholly-owned subsidiary, The Luster Corporation of Canada Limited, operates a plating plant at Wallace-

burg, Ontario. It also has a majority interest in Schultz Die Casting Company of Canada Limited, with operations at Lindsay, Ontario. Sales of National Hardware Specialties Limited were \$2,507,000.

Other Activities

Exploration and Research

Exploration and research continued to be stressed and expenditures in these two fields were \$9.3

Headframe and concentrator of the Magmont lead mine near Salem, Missouri, U.S.A.



million compared with \$10.2 million in 1966.

Exploration for new ore bodies continues to be centred primarily in Canada, with other programs underway in Australia, Greenland, Spain and the United States. The total ore reserves at the Sullivan, Bluebell and HB mines in British Columbia at the 30th September, 1967, were 70.5 million tons containing 7.7 million tons of lead and zinc, compared with 71.6 million tons containing 7.9 million tons of lead and zinc at the 30th September, 1966. Ore reserves of Pine Point Mines Limited at the year end were 40.5 million tons containing 3.8 million tons of lead and zinc compared with 37.8 million tons containing 3.7 million tons of lead and zinc at the end of 1966.

A program of intensified research has resulted in a number of technological improvements in the metallurgical operations at Trail providing increased efficiencies and productive capacity. An interesting development was the discovery of Cominco 740, an iridescent, reproducible coloured zinc which was introduced at the Canadian Pacific-Cominco Pavilion at EXPO 67. Active technical studies have resulted in the production of zinc forgings with a number of industrial and military applications now being investigated. In a parallel program, a major study has been launched for the development of zinc extrusions for application in a variety of industries, including the automobile industry. The Company continued to give substantial support to co-operative research and development activities in conjunction with Free World lead and zinc producers. In 1967 world producers of these metals contributed to industry associations in excess of \$4 million for the co-operative promotion and development of existing and new uses for lead and zinc. A long term program of research directed at forest fertilization made significant progress during the year and promises important new markets for the Company's regular fertilizer products.

New Developments

The two production shafts at the Company's potash project in Saskatchewan successfully passed through the Blairmore formation and at year end were approaching the potash beds. Other phases of construction proceeded on schedule and initial production early in 1969 is now forecast. During 1967 the market development program for potash continued, particularly in the United States, overseas delivery contracts were negotiated and world-wide sales agents were appointed. In view of the substantial oversupply position that will prevail as the new mines now under development commence production in the next two years, the marketing of potash is intensely competitive. This has had a very depressing effect on prices and in the short term unquestionably the productive capacity of the industry in Saskatchewan will not be fully utilized.

Under the joint leadership of Cominco, Canadian Pacific Oil and Gas Limited and Dome Petroleum Limited, Panarctic Oils Ltd. was reorganized. Cominco has acquired a 9% interest in Panarctic and together with 19 other industrial participants will provide 55% of the \$20 million required for exploration, with the Federal Government providing the remaining 45%. Panarctic holds exploration rights over 44 million acres in the Arctic Islands carrying geological structures considered to be favourable for major oil occurrences. Initial financing provides for an extensive three-year exploration program, commencing in 1968, to define the potential of the area.

Following geological field work and market studies it was decided in March, 1967 to re-open the Company's mercury property at Pinchi Lake, British Columbia, which was shut down in 1944 and subsequently dismantled. Trackless mining is planned and a truck haulage adit has been driven 1,350 feet from surface to the orebody. Development of the orebody and rehabilitation of old

workings proceeded satisfactorily. Good progress was made on the construction of a concentrator and reduction plant with a capacity of 800 tons per day and initial production is anticipated early in 1969.

At Benson Lake on northern Vancouver Island good progress was made on an adit being driven from the concentrator to give access to ore developed by recent exploration in ground leased by Cominco from Empire Development Company. Using existing underground facilities commercial

production from this property will commence before the end of June, 1968.

Early in 1968 the marketing of the Company's metal products in the United Kingdom was transferred from Henry Gardner & Co. Limited to Cominco-Gardner Limited, in which Cominco has a 51% interest and Henry Gardner 49%.

A modern sulphuric acid unit with an annual capacity of 130,000 tons of acid was completed at Trail and came into production very satisfactorily. This installation permitted the shutdown of three small, obsolete high cost plants.

An aerial view, taken in November, 1967, of Cominco's potash mine site at Vade, Saskatchewan, 20 miles southwest of Saskatoon. Pre-production development and construction are now in the final stages.



Personnel

The total number of employees of Cominco and its subsidiaries was 9,896 at the year end, compared with 10,145 at the end of 1966. A general slowdown in construction activity in the late summer resulted in a marked improvement in the availability of labour and a decrease in labour turnover compared to recent years.

There were no negotiations for wage agreements undertaken in 1967 at the Company's operations in British Columbia, the Northwest Territories and New Brunswick. The International Union of Mine, Mill and Smelter Workers (Canada) which held collective bargaining rights at our operations in these areas merged with the United Steelworkers of America on the 1st July. In Alberta, after lengthy negotiations, a strike of hourly-paid employees was called at the Calgary chemical and fertilizer plant on the 31st July by the International Chemical Workers' Union and the International Brotherhood of Electrical Workers. Settlement was reached on the 26th August.

At the annual general meeting of the shareholders on the 26th April Messrs. W. J. Bennett and Ian D. Sinclair, Q.C. were elected Directors of the Company, replacing Messrs. L. J. Belnap and Gordon Farrell, both of whom retired from the Board in accordance with Company policy. Mr. Farrell was first elected to the Board on the 8th

December, 1947 and Mr. Belnap on the 9th April, 1951. The Company is deeply indebted to them for their wise counsel and sound advice over many years as Directors of the Company.

In February 1968 Mr. A. M. Murray, formerly Director, Finance, was appointed Vice-President, Finance.

The Directors wish to acknowledge their appreciation for the co-operation and efforts of the employees which have contributed greatly to the progress of the Company.

On behalf of the Board of Directors



Chairman and Chief Executive Officer



President

7th March, 1968

Consolidated Statement of Earnings

Year ended December 31, 1967

(with comparative figures for 1966)

	1967	1966
Sales of products	\$216,959,000	\$224,566,000
Other revenue	4,489,000	4,186,000
	221,448,000	228,752,000
<i>Cost of sales:</i>		
Inventory of raw materials and products at beginning of year	43,893,000	40,073,000
Production, selling and general expenses (Note 2)	131,394,000	130,875,000
Custom ores and other materials purchased	17,164,000	17,435,000
Interest on long-term debt	2,607,000	689,000
	195,058,000	189,072,000
<i>Deduct</i> inventory of raw materials and products at end of year	45,902,000	43,893,000
	149,156,000	145,179,000
	72,292,000	83,573,000
<i>Add:</i>		
Income from investments in unconsolidated subsidiary companies (Note 3)	1,467,000	2,630,000
Income from other investments	2,798,000	1,900,000
Net gain on disposal of investments	428,000	61,000
	4,693,000	4,591,000
<i>Deduct:</i>		
Depreciation (Note 4)	16,582,000	14,370,000
Depletion	1,858,000	1,290,000
Income taxes, including \$4,850,000 (1966 – \$6,157,000 not currently payable)	10,100,000	14,600,000
Minority interest in net earnings of Pine Point Mines Limited (after deducting \$1,975,000; 1966 – \$1,032,000 unrealized by parent company)	9,961,000	8,721,000
	38,501,000	38,981,000
Net earnings, to statement of retained earnings	\$ 38,484,000	\$ 49,183,000
Net earnings per share	\$2.31	\$2.95

Consolidated Balance Sheet at December 31, 1967

(with comparative figures for 1966)

Assets	1967	1966
<i>Current Assets:</i>		
Cash	\$ 6,757,000	\$ 4,998,000
Notes (including \$2,000,000 issued by affiliated company), loans and other short-term investment contracts, at cost	38,556,000	16,562,000
Government and municipal bonds, at cost (market value \$742,000)	769,000	5,344,000
Accounts receivable		
Trade	47,823,000	37,155,000
Unconsolidated subsidiary companies	2,220,000	2,249,000
Income taxes and current portion of special refundable taxes recoverable, net	650,000	1,654,000
Prepaid charges	5,556,000	3,875,000
Inventory of raw materials and products at lower of cost and realizable value	45,902,000	43,893,000
Stores and materials, at cost less allowance for obsolescence	11,549,000	\$159,782,000
		11,797,000
		\$127,527,000
<i>Investments and Sundry Assets:</i>		
Investments (Note 3)	40,610,000	29,462,000
Deferred charges	2,336,000	2,227,000
Sundry loans and accounts receivable	4,138,000	47,084,000
		3,276,000
		34,965,000
<i>Fixed Assets:</i>		
Land, buildings and equipment at cost, less fully depreciated items written off and sales at realized amounts	241,723,000	198,535,000
Less accumulated depreciation (Note 4)	64,820,000	53,552,000
	176,903,000	144,983,000
Mining properties and development, at cost less amounts written off	55,225,000	56,626,000
Less accumulated depletion	9,300,000	8,006,000
	45,925,000	48,620,000
		193,603,000
	\$429,694,000	\$356,095,000



Liabilities and Shareholders' Equity	1967	1966
<i>Current Liabilities:</i>		
Bank loans	\$ 8,913,000	\$ 1,004,000
Accounts payable	24,337,000	23,668,000
Payments received in advance on sales contracts	536,000	1,562,000
Dividends payable	11,749,000	15,035,000
Portion of long-term debt due within one year	1,058,000	90,000
	46,593,000	41,359,000
<i>Long-Term Debt (Note 6)</i>	59,468,000	14,299,000
<i>Minority Interest in Pine Point Mines Limited</i>	20,210,000	17,222,000
<i>Accumulated Tax Reductions Applicable to Future Years</i>	21,258,000	16,408,000
<i>Shareholders' Equity:</i>		
Capital		
Authorized — 20,000,000 shares of no par value; issued and fully paid — 16,688,155 shares	24,651,000	24,651,000
Retained earnings	257,514,000	282,165,000
		242,156,000
		266,807,000
<i>Contingent Liabilities (Note 7)</i>		
Approved on behalf of the Board:	\$429,694,000	\$356,095,000
W. S. Kirkpatrick } Directors		
R. Hendricks }		

Consolidated Statement of Retained Earnings

Year ended December 31, 1967

(with comparative figures for 1966)

	1967	1966
Amount at beginning of year	\$242,156,000	\$208,265,000
<i>Add:</i>		
Net earnings per statement of earnings	38,484,000	49,183,000
Recovery of income taxes charged to earnings for prior years	1,904,000	—
Gain on exchange of mining interests	—	14,744,000
	282,544,000	272,192,000
<i>Deduct:</i>		
Appropriation for dividends, \$1.50 per share in 1967 (1966 — \$1.80)	25,030,000	30,036,000
Amount at end of year, to balance sheet	\$257,514,000	\$242,156,000

The helicopter plays an important role in Cominco's world-wide mineral exploration program.



Consolidated Statement of Source and Application of Funds

Year ended December 31, 1967

(with comparative figures for 1966)

<i>Source of Funds:</i>	1967	1966
Operations		
Net earnings for year	\$ 38,484,000	\$ 49,183,000
Add items charged which do not represent a current outflow of funds		
Depreciation	16,582,000	14,370,000
Depletion	1,858,000	1,290,000
Income taxes not currently payable	4,850,000	6,157,000
	<hr/>	<hr/>
	61,774,000	71,000,000
Reduction in currently payable portion of income taxes, prior years	1,904,000	4,200,000
Minority interest in net retained earnings of Pine Point Mines Limited	2,988,000	1,049,000
Long-term borrowings, net	45,169,000	2,562,000
Issue of shares by Pine Point Mines Limited to acquire property	—	26,320,000
	<hr/>	<hr/>
	111,835,000	105,131,000
<i>Application of Funds:</i>		
Capital expenditures		
Investments	11,360,000	2,955,000
Land, buildings and equipment	45,363,000	29,890,000
Mining properties and development (1966 – including \$26,320,000 acquired for shares issued by Pine Point Mines Limited)	2,090,000	33,161,000
Increase in sundry non-current items	971,000	2,353,000
Dividends	25,030,000	30,036,000
	<hr/>	<hr/>
	84,814,000	98,395,000
Increase in working capital	27,021,000	6,736,000
Working capital at beginning of year	86,168,000	79,432,000
Working capital at end of year	<hr/> <u>\$113,189,000</u>	<hr/> <u>\$ 86,168,000</u>

Notes to Financial Statements

1. Basis of Consolidation

The financial statements of Cominco Ltd. are presented in consolidation with those of all subsidiaries in which it holds all the shares and of Pine Point Mines Limited, a 69.12% owned subsidiary. Other subsidiaries have not been included in the consolidation because they have different businesses from those of Cominco, or they have relatively limited economic life, or they are not significant.

Current assets and liabilities in foreign currencies are converted at exchange rates applying at balance sheet dates; non-current assets and liabilities in foreign currencies are converted on various appropriate bases.

2. Directors' Remuneration

Production, selling and general expenses include remuneration of \$377,000 (1966 - \$383,000) to directors, including amounts to directors who are also officers.

3. Investments

Particulars of investments are as follows:	1967	1966
Unconsolidated subsidiary companies		
Shares, at cost	\$18,396,000	\$17,831,000
Advances	2,250,000	2,067,000
Other companies		
Shares, at cost less amounts written off and amounts realized on sales:		
Having a quoted market value (market value \$2,953,000)	1,654,000	1,780,000
Having no quoted market value	17,077,000	10,395,000
Debentures, at cost:		
Income debentures (market value \$935,000; 1966 - \$940,000)	1,000,000	1,000,000
Other (no quoted market)	3,658,000	102,000
Advances	2,678,000	2,187,000
	46,713,000	35,362,000
<i>Less : accumulated provision for depletion of mineral investments</i>	6,103,000	5,900,000
	\$40,610,000	\$29,462,000

Cominco's equity in the aggregate net earnings of unconsolidated subsidiary companies amounted to \$1,420,000

for 1967, compared with dividends of \$1,467,000 received from them. Cominco has not taken into the accounts its equity of \$2,714,000 in undistributed earnings (net of losses) of unconsolidated subsidiaries.

4. Depreciation

In the main, depreciation for the group of companies is computed on each year's net plant expenditures (including land, a minor part of plant investment) evenly over a period of years until those expenditures have been fully depreciated. At that time, the practice is to write off the recorded cost against the depreciation accumulation, so that only costs not yet fully depreciated are carried on the balance sheet. Expenditures by Cominco are depreciated over thirteen years; expenditures by Pine Point Mines Limited over ten years.

5. Capital Expenditures

There are four major capital projects under way, namely the potash development in Saskatchewan, the Pinchi Lake mercury mine in northern British Columbia, the lead mine in Missouri (50% participation by Cominco interests), and extension of the mining and concentration facilities at Pine Point. It is estimated that expenditures of \$61,000,000 will be made, mainly in 1968, to carry to completion these and other projects.

In addition, Hill Chemicals, Inc., 50% owned by Cominco American Incorporated (Cominco's wholly-owned subsidiary in the U.S.A.), is constructing ammonia production and distribution facilities. If these facilities are not performing according to specifications by September 1, 1970, Cominco American may be called upon to provide \$5.8 million (U.S.) for reduction of the mortgage indebtedness of Hill Chemicals; in this event, an additional 35% equity interest in Hill Chemicals would be forfeited to Cominco American. It is planned to complete these facilities before the end of 1968.

6. Long-Term Debt	1967	1966
Cominco Ltd.:		
6 1/4% Notes payable to an affiliated company, due May 1, 1972	\$20,000,000	—
6 1/2% Series "A" Notes due May 15, 1972	20,000,000	—
Cominco American Incorporated:		
5 1/4% Mortgage notes (\$10,000,000 U.S.)	10,803,000	\$10,831,000
Bank loan pending long-term financing (\$7,500,000 U.S.; 1966 - \$1,900,000 U.S.)	8,103,000	2,058,000
(The mortgage notes mature \$800,000 annually commencing January 1, 1968 with final payment of \$400,000 due January 1, 1980)		
Pine Point Mines Limited:		
7% Housing mortgages	210,000	—
Western Canada Steel Limited:		
First mortgage sinking fund bonds:		
Series "A", 5% due January 2, 1972	200,000	250,000
Series "B", 6% due January 1, 1972	210,000	250,000
Series "C", 6 1/2% due July 2, 1977	1,000,000	1,000,000
(Series "A" and "B" bonds call for annual sinking fund payments of \$90,000; Series "C" call for \$100,000 annually commencing 1968)	—	—
Less: portion due within one year, shown as a current liability	60,526,000 1,058,000 <hr/> \$59,468,000	14,389,000 90,000 <hr/> \$14,299,000

7. Contingent Liabilities

Sundry guarantees, commitments and claims at December 31, 1967 are estimated at \$1,000,000.

8. Pensions

At December 31, 1967 investments with a current value of approximately \$49,000,000 were held by trustees under Cominco's pension arrangements. Actuarial estimates of these arrangements made to December 31, 1965 indicate an unfunded cost of \$9,500,000 for past service at that date. It is intended to fund approximately \$5,300,000 of this amount over 23 years starting in 1968.

Separate pension plans are in effect for certain consolidated subsidiaries. The unfunded cost for past service of one consolidated subsidiary is estimated at \$1,860,000 which amount is being funded over 40 years; there are no other significant unfunded past service obligations.

Cominco and its consolidated subsidiaries charged earnings for 1967 and 1966 with provisions which reflected their estimates of the accruing pension costs related to both past and current service.

Auditors' Report to the Shareholders

We have examined the consolidated balance sheet of Cominco Ltd. and its consolidated subsidiaries at December 31, 1967 and the consolidated statements of earnings, retained earnings and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies at December 31, 1967 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

THORNE, GUNN, HELLIWELL & CHRISTENSON,
Chartered Accountants.

VANCOUVER, B.C., February 19, 1968.

Consolidated Ten Year Summary (all dollar amounts in millions, except per share figures)

	1967	1966	1965
Earnings			
Sales of all products	\$217.0	\$224.6	\$211.2
Other revenue	4.5	4.2	4.5
Cost of sales	149.2	145.2	127.9
Earnings from operations	72.3	83.6	87.8
Income from investments	4.7	4.6	6.9
Provisions for depreciation and depletion	18.4	15.7	14.7
Provision for income taxes	10.1	14.6	22.9
Minority interest in net earnings of Pine Point Mines Limited	10.0	8.7	4.1
Net earnings	38.5	49.2	53.0
Net earnings per share	2.31	2.95	3.18
Dividends declared	25.0	30.0	30.0
Dividends declared per share	1.50	1.80	1.80
Retained earnings for the year	13.5	19.2	23.0
Financial Position			
Cash and marketable securities	\$ 46.1	\$ 26.9	\$ 35.1
Inventories of raw materials and products	45.9	43.9	40.1
Working capital	113.2	86.2	79.4
Investments and sundry assets	47.1	35.0	29.8
Fixed assets — net	222.8	193.6	146.1
Total assets	429.7	356.1	299.5
Long-term debt	59.5	14.3	11.7
Minority interest in Pine Point Mines Limited	20.2	17.2	4.6
Accumulated tax reductions applicable to future years	21.3	16.4	6.1
Shareholders' equity	282.2	266.8	232.9
Other Statistics			
Capital expenditures	\$ 58.8	\$ 66.0	\$ 64.4
Number of shares outstanding at year-end	16,688,155	16,688,155	16,688,155
Number of shareholders at year-end	43,198*	42,232	39,066
Number of employees at year-end including subsidiaries	9,896	10,145	9,965



1964	1963	1962	1961	1960	1959	1958
\$170.0	\$140.3	\$131.1	\$124.4	\$115.6	\$110.1	\$103.9
4.3	3.5	2.8	2.4	1.6	1.4	1.2
104.1	91.0	89.7	85.4	74.5	78.4	77.5
70.2	52.8	44.2	41.4	42.7	33.1	27.6
5.1	4.8	3.8	4.3	4.2	3.1	2.7
11.7	10.9	10.4	10.3	9.7	9.4	9.6
24.1	16.9	14.4	14.0	13.7	10.1	6.7
(.1)	—	—	—	—	—	—
39.6	29.8	23.2	21.4	23.5	16.7	14.0
2.37	1.82	1.42	1.31	1.43	1.02	0.86
26.5	21.3	18.0	16.4	16.4	13.1	13.1
1.60	1.30	1.10	1.00	1.00	0.80	0.80
13.1	8.5	5.2	5.0	7.1	3.6	0.9
\$ 64.8	\$ 72.4	\$ 71.9	\$ 63.3	\$ 65.7	\$ 66.6	\$ 56.9
32.5	26.7	27.8	30.4	30.9	27.5	27.5
97.3	101.1	103.1	100.1	96.1	95.9	92.3
13.0	18.9	12.3	11.6	10.9	10.6	9.6
112.1	73.9	68.7	67.1	66.7	60.2	62.3
261.7	226.0	212.8	204.4	199.8	187.2	180.8
6.5	—	—	—	—	—	—
0.6	—	—	—	—	—	—
5.5	1.5	—	—	—	0.1	0.4
209.9	192.5	184.0	178.8	173.7	166.6	163.8
\$ 38.0	\$ 22.7	\$ 13.1	\$ 10.9	\$ 16.5	\$ 7.9	\$ 2.5
16,688,155	16,381,645	16,381,645	16,381,645	16,381,645	16,381,645	16,381,645
35,712	35,218	35,805	34,234	35,007	34,481	34,073
9,714	8,356	8,073	8,103	7,437	6,985	7,101

Principal Active Subsidiary and Affiliated Companies



Subsidiaries Included in Consolidation

The activities of these subsidiaries are set out in the Report of the Directors.

Pine Point Mines Limited — 69% owned

President — D. D. Morris

Head Office — Trail, British Columbia

Cominco American Incorporated —

100% owned

President — F. E. Burnet

Head Office — 818 W. Riverside Avenue,
Spokane, Washington
99201, U.S.A.

Western Canada Steel Limited —

100% owned

President — G. H. D. Hobbs

Head Office — 450 SE Marine Drive,
Vancouver 15,
British Columbia

National Hardware Specialties Limited —

100% owned

President — D. G. McGorman

Head Office — Dresden, Ontario
(P.O. Box 250)

kwh in 1966. The company also operates Cominco's hydro-electric plants under a management contract.

Despite prolonged labour negotiations which commenced in 1966, the hourly-paid employees went out on strike on the 11th April, 1967. Settlement was not reached until the 15th June. During this time, the Cominco and West Kootenay hydro-electric plants and transmission systems were successfully operated by staff employees with no interruption of service to customers.

Cominco received \$589,000 in dividends in 1967, the same as in 1966.

Pacific Coast Terminals Co. Ltd. —

74% owned

President — E. A. Mitchell

Head Office — New Westminster,
British Columbia
(P.O. Box 697)

This company owns and operates storage warehouse and dock facilities at New Westminster, B.C. and operates the bulk-loading facilities of its 72%-owned subsidiary, Pacific Coast Bulk Terminals Limited at Port Moody, B.C. The expansion of dock and bulk loading facilities was completed and placed in service. In 1967 materials handled through both facilities totalled 2,633,000 tons. Cominco received \$311,000 in dividends in 1967 compared with \$432,000 in 1966.

Rycon Mines Limited — 60% owned

President — B. E. Hurdle

Head Office — Yellowknife, N.W.T.

Cominco mines and treats the gold ore of this company in conjunction with the adjoining Con operations in the Northwest Territories. In 1967, 63,300 tons of ore were mined containing 1.0 oz. gold per ton. Cominco received \$240,000 in

Unconsolidated Subsidiary Companies

West Kootenay Power and Light Company, Limited

President — W. K. Gwyer

Head Office — 1335 Cedar Avenue, Trail,
British Columbia

Cominco holds all of the common shares and 24% of the preferred shares of this company, which owns and operates a hydro-electric power plant on the Kootenay River and a distribution system providing public utility service in southern British Columbia. In 1967, total sales of firm energy were 614,304,000 kwh compared with 563,208,000

dividends in 1967 compared with \$510,000 in 1966.

Coast Copper Company Limited —
83% owned
President — J. H. Salter
Head Office — Trail, British Columbia

This company owns a copper mine located on northern Vancouver Island, and which is operated by Cominco under a management contract. In 1967, 290,500 tons of ore containing 1.4% copper were mined and treated in Cominco's adjoining mill at Benson Lake. Copper and magnetite concentrates were shipped to Japan. Cominco received \$327,000 in dividends in 1967 compared with \$1,097,000 in 1966.

Sunro Mines Limited — 77% owned
President — B. E. Hurdle
Head Office — Trail, British Columbia

This company's copper property on Vancouver Island is leased to Cowichan Copper Company. Operations which had been suspended in 1966 were resumed at a reduced rate in February, 1967.

Affiliated Companies

Cominco Binani Zinc Limited — 40% owned
Chairman — G. Binani
Head Office — 38 Strand Road,
Calcutta 1, India

Construction of a 22,000-ton zinc smelter and sulphuric acid plant was completed and the first commercial high grade zinc to be produced in India was cast on 22nd April. By year-end, several major operating problems had been resolved with the expectancy that normal production would be reached during the latter half of 1968.

Mitsubishi Cominco Smelting Company Limited — 45% owned
President — Takuhei Oishi
Head Office — 6, 1-chome, Ohte-machi,
Chiyodaku, Tokyo, Japan

The 40,000-ton per year lead smelter at Naoshima, Japan operated throughout the year. Unfavourable domestic metal prices, resulting from a change in the duty structure, coupled with unexpected operating difficulties reflected adversely on the profit picture. At year-end the operating difficulties were being resolved and improved operation is anticipated in 1968.

Cominco-Gardner G.m.b.H. — 50% owned
Chairman — J. A. MacKinnon
Head Office — Corneliusstrasse 36,
Düsseldorf, West Germany

The purpose of this company is to promote sales of Cominco and other metals in continental Europe and otherwise engage in marketing activities.

The Canada Metal Company Limited —
50% owned
President — Carleton Smith
Head Office — 721 Eastern Avenue,
Toronto 8, Ontario

This company has plants in Toronto, Scarborough, Montreal, Winnipeg, Calgary and Vancouver for processing non-ferrous metals and alloys, producing lead oxides and refining secondary metals. Cominco received \$355,000 in dividends in 1967 compared with \$325,000 in 1966.

Mazak Limited — 50% owned
Chairman — A. J. S. Bailey
Main Office — 1 Redcliff Street, Bristol 1,
England (P.O. Box 19)

This company was incorporated in England in 1966 by Cominco and Imperial Smelting Corporation Limited. The new company acquired the zinc alloying assets of Imperial Smelting Corporation (Alloys) Limited and manufactures and sells zinc base alloys under the Mazak trade name to the die casting industry in the United Kingdom. Mazak Limited is the largest producer of zinc die-cast alloy in the U.K.

Products



Metals

Lead, Zinc, Silver, Bismuth, Cadmium, Indium, Gold, Antimonial Lead, Zinc Dust, Pig Iron, Steel

Concentrates

Zinc, Lead, Copper and Tin

Chemical Fertilizers

Ammonium Sulphate, Ammonium Nitrate, Urea, Anhydrous and Aqua Ammonia, Nitrogen Solutions, Ammonium Phosphates, Ammonium Nitrate-Phosphates, Complete Fertilizers, Ammonium Phosphate Solutions, Phosphoric Acid, Nitrogen-Sulphur Solutions, Zinc Fertilizer Compound

Chemicals

Anhydrous and Aqua Ammonia, Ammonium Nitrate, Urea, Chlorine, Caustic Soda, Sulphuric Acid, Sulphur Dioxide, Urea Feed Compound

Fabricated Metal Products

Zinc Extrusions, Zinc Die Castings, Cadmium and Zinc Plating Anodes, Zinc Anodes for Cathodic Protection, Steel Fasteners, Light and Medium Structural Steel Products

Electronic Materials

Available in fabrications to customers' specification.

High Purity Metals (99.999% and 99.9999% Pure)

Aluminum, Antimony, Arsenic, Bismuth, Cadmium, Copper, Gold, Indium, Lead, Silver, Tin, Tellurium, Thallium, Zinc

Preforms and wire also available

Compound Semiconductors

Indium Antimonide, Indium Arsenide

Thermo-Electric Materials

Bismuth Telluride

Lead Refinery at Trail, B.C. Capacity of this plant is 500 tons per day.



TADANAC BRAND

COMINCO BRAND

ELEPHANT BRAND

are registered
trade marks of the Company

